

TOM LEE
President



Harold McLean
Public Counsel

**STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL**

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
850-488-9330

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

ALLAN BENSE
Speaker



**FOR IMMEDIATE RELEASE
AUGUST 11, 2006—8:00 A.M.**

PUBLIC COUNSEL HAROLD MCLEAN CALLS ON PSC TO ORDER PROGRESS ENERGY FLORIDA INC. TO REFUND \$143 MILLION OF PAST EXCESSIVE FUEL CHARGES

Tallahassee--Over the past decade, Progress Energy Florida Inc. required customers to pay as much as \$143 million too much to buy fuel for two of its coal-fired units, said Harold McLean, Florida's Public Counsel, in a petition filed with the Florida Public Service Commission on Thursday.

Progress Energy placed its Crystal River Units 4 and 5 into service in the early 1980s. Progress Energy designed the units to accept and burn a 50/50 blend of bituminous and sub-bituminous coals. (Sub-bituminous coal, found principally in Wyoming, holds less heat content per ton than Eastern bituminous coal; however, it produces far less sulfur dioxide than its Eastern bituminous counterpart.) According to OPC's Petition, the utility failed to take advantage of sub-bituminous coal being mined in Wyoming's Powder River Basin when price relationships in coal markets shifted in the early 1990s and the Western coal became more economical than the bituminous fuel Progress Energy had been purchasing for the units.

According to an analysis performed by OPC's consultant, Robert Sansom, Progress Energy could have saved customers \$143 million during the period 1996-2005 by shifting to the 50/50 blend that the units were designed to burn. Instead, at the same time other utilities in the southeast were taking advantage of the lower costs of Powder River Basin coal, in 1996 Progress Energy failed to include sub-bituminous coal as a proposed fuel when it applied for a necessary new permit from the Florida Department of Environmental Protection. Today, Progress Energy still has not burned Powder River Basin coal in Crystal River 4 and 5 on a commercial basis.

"It appears that Progress Energy failed to act in its customers' interests when it had the opportunity and the obligation to do so," said McLean. "From customers' perspective, this is a clear case of imprudence. The company, not its customers, should bear the extra costs."

The PSC has the power to make the adjustments for the period sought in the Petition, said McLean. “Fuel is unlike other ratemaking. The PSC—which approves proposed fuel charges preliminarily on the basis of a limited record—reserves the right to make adjustments later, if parties demonstrate the costs were not prudently incurred. That is exactly what we believe our Petition shows.”

The utilities’ routine requests for fuel charges are considered in hearings held annually in November. In its request for a refund of \$143 million, OPC urges the Commission to establish a separate hearing track, so that the issues raised by the Petition can be considered separately from the routine filings.